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TAGS: [PGOV](#) [PREL](#) [PINR](#) [ECON](#) [SOCI](#) [PE](#)
SUBJECT: PRESIDENT'S POPULARITY UP DESPITE OBSTACLES

REF: LIMA 146

Classified By: Ambassador P. Michael McKinley for
reasons 1.4 (b) and (d).

¶1. (C) Summary: The international economic crisis notwithstanding, President Garcia's approval ratings have risen steadily since late 2008 (in that year as low as 19-22% pct) and in February jumped by two points to 38% nationally, according to recent polling. No single factor accounts for Garcia's improved popular support, but falling inflation, his administration's sound macro-economic and foreign policies coupled with his own light brand of populism explain part of it. The President continues to chip away at his primary challenge (reftel) of expanding the state's reach and representation and reducing political support for anti-systemic elements. For the moment, Peru continues to enjoy considerable stability and relative tranquillity under Garcia. Much will depend on global economic trends in the coming months. End Summary.

Economy: Not as Good as Before, but Better than Others

¶2. (SBU) President Alan Garcia's leadership remains solid, despite swirling political scandals, tensions with Chile and the ongoing global financial crisis. In 2006, Peru's Economy grew by 7.6 pct, in 2007 by 8.9 pct and last year (2008) by a stunning 9.84 pct. Even as the international economic crisis has begun to take its toll, reducing growth forecasts to the 3-4% range, Peru remains relatively well situated. In a speech earlier this month, Garcia said, "Let's not spread panic. In the first 70 days of the year the Peruvian economy has grown by 4 pct, while neighboring countries have dropped to -1 pct. In 2009, the US. economy is projected to contract to -2 pct and the EU to -2.5 pct. It is the same story with countries fifty times bigger than we are. Small as we are, with our faith, strength and daring, we will once more continue to amaze the region."

¶3. (U) In response to the global downturn, the GOP has introduced a \$3.1 billion stimulus package and implemented special policies to minimize job losses. Still, the important export-driven mining and textile industries continue to suffer the hardest. Countering the negative social impacts of the crisis, inflation in January was negative and fuel and food prices have fallen markedly. Many observers believe these "daily life" factors, which affect Peru's poorest classes the most, play a key roll in

explaining Garcia's improving poll numbers. (Note: Polling done in 2008 -- when Garcia's numbers were plummeting -- indicated that rising food and fuel prices had a decisive negative impact. End note.) The Peru Trade Preference Agreement (PTPA) that entered into force last February is also widely perceived as a major, positive accomplishment.

Chile: Balancing Trade with a Maritime Dispute

¶4. (SBU) Always mindful of the threat posed by ultra-nationalists such as Ollanta Humala and General (ret.) Edwin Donayre, Garcia has had to steer a careful course between an expanded trade agreement with Chile and calming the chauvinistic fervor generated by a dispute with that country over a patch of the Pacific ocean. In both cases, Garcia seems to have chosen the appropriate option: The maritime dispute has been dispatched for resolution to the International Court of Justice in The Hague (prudence, resolve), while the trade agreement is moving ahead (pragmatism) in line with the desires of 58.9 pct of Peruvians as reflected in a recent survey.

A bit of barnstorming never hurts

¶5. (SBU) Over the last few months Garcia has traveled extensively around the country (something he did not do before), inaugurating development projects, appealing to patriotism and railing against bureaucratic red tape. He has also told his cabinet, regional leaders and mayors to act urgently to create jobs and build infrastructure projects with the royalty money ("canon") generated from mining exports. Even as the prospect for high growth dims, public coffers remain plentiful thanks to the past bonanza. In somewhat populist measures, he has forgiven the debts of victims of natural disasters to the Material and Agro banks and strongly supported a recent law that approved land titles for squatters who were occupying public or private land. A group of young APRA Party activists recently described to us how the APRA party has become much more active in grassroots community development. Other supporters explained that the government is now harvesting the benefits of a broad array of social programs initiated at the outset of the administration.

¶6. (C) The President continues to chip away at his primary challenge (reftel) of expanding the state's reach and representation and reducing political support for anti-systemic elements. Prime Minister Yehude Simon has been indispensable to the GOP's growing proximity to the people and a relatively calm social environment, with high-profile conflicts fewer and farther between. Simon's premiership has also helped to dispel earlier perceptions that Garcia had moved too far right, was pandering to big business and not paying enough attention to the plight of the poor. Simon has stated that those who accuse the government of populist measures are being unfair, since the GOP has already provided relief and benefits to exporters and business sectors.

Comment: Tranquil, For Now

¶7. (C) Since taking office in 2006 until the late October 2008 Cabinet change, Garcia's approval ratings marked a continuous downward arc, despite Peru's spectacular GDP growth figures. From that point, while Peru's GDP growth has dropped as a result of the international economic crisis, Garcia's popularity has steadily increased. This apparently counterintuitive situation reflects a combination of adroit leadership -- continued disciplined economic policies combined with an increasing political focus on social issues and socially under-served communities -- and a bit of luck. According to one government insider, however, Garcia is concerned that Peru will likely feel the political and social effects of the international economic crisis more keenly over the coming months, and has urged his Ministerial team to redouble its efforts in preparing for the storm. Garcia's

public standing in the face of adversity is a significant accomplishment, especially as Peru remains among the few staunch partners we have in this turbulent region. End Comment.

MCKINLEY